

FILED

THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)

FEB 19 2001

CLERK'S OFFICE
U. S. BANKRUPTCY COURT
DISTRICT OF MARYLAND
BALTIMORE

In re:

FRANK'S NURSERY & CRAFTS, INC., et
al.,

Debtors.

Case No. 01-52415-JS TH-20064 01-52416-JS
(Chapter 11)
(Jointly Administered)

* * * * *

DEBTORS' MOTION FOR ORDER AUTHORIZING
REJECTION OF CERTAIN
NON-RESIDENTIAL REAL PROPERTY LEASES

Frank's Nursery & Crafts, Inc. ("Frank's") and FNC Holdings, Inc. ("FNC"), debtors and debtors in possession (collectively, the "Debtors") in the above-captioned cases, by their undersigned counsel, file this motion (the "Motion") for an order authorizing the Debtors to reject certain non-residential real property leases. In support thereof, the Debtors respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The relief sought with this Motion is predicated upon section 365 of title 11 of the United States Code (the "Bankruptcy Code").

The Chapter 11 Cases

3. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in this Court. The Debtors intend to continue in possession of their respective properties and the management of their



respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. By motion submitted to the Court concurrently herewith, the Debtors seek entry of an order of this Court authorizing the procedural consolidation and joint administration of these cases.

The Debtors and Their Business Operations

5. Frank's, founded in 1949, operates the largest United States chain (as measured by sales) of specialty retail stores devoted to the sales of lawn and garden products. Lawn and garden products include green and flowering plants for outdoor and indoor usage, live landscape products such as trees and shrubs, fertilizers, seeds, bulbs, gardening tools and accessories, planters, watering equipment, garden statuary and furniture, wild bird food and feeders, mulches and specialty soils. Frank's also is a leading retailer of Christmas Trim-A-Tree merchandise, artificial flowers and arrangements, garden and floral crafts, and home decorative products. FNC (formerly known as General Host Corporation) is the sole shareholder of Frank's.

6. As of February 9, 2001, Frank's operated 217 retail stores in 15 states, primarily in the Mid-Atlantic, Midwest and Northeast. At that time, an additional 44 stores were being closed as part of a previously announced plan to sell under-performing store locations. In its fiscal year ending January 28, 2001, Frank's had sales of approximately \$435 million. Currently, the Debtors employ approximately 1,900 full-time and 5,000 part-time employees. As of November 5, 2000, the Debtors had total assets of approximately \$471.9 million and total debt of approximately \$338 million.

7. The Debtors' sales are seasonal. The lawn and garden revenues are concentrated principally in the Spring and, to a lesser extent, in the Fall. The Trim-A-Tree sales occur between Thanksgiving and Christmas.

8. During most of the first half of 2000, weather patterns negatively impacted lawn and garden product sales across the Debtors' principal markets. During the third quarter of 2000, the Debtors decided to close 44 under-performing stores, liquidate their inventories, and sell the closed stores owned by the Debtors. Later in 2000 it became apparent that the Debtors' Trim-A-Tree holiday season sales were below expectations, which was consistent with the general softness in sales at retailers during this period.

9. In 2001, notwithstanding excess borrowing availability under their existing bank credit facilities, the Debtors were unable to draw down sufficient funding to meet the Debtors' working capital needs because the Prepetition Lenders asserted that various conditions to borrowing had not been met. (The Prepetition Lenders, however, did provide limited funding subject to various conditions.). Also, in the relatively short period since access to their credit facilities had been curtailed, the Debtors were unable to secure additional funding to meet those working capital needs. Ultimately, the Debtors determined the most appropriate method to obtain such financing and achieve their restructuring objectives was through chapter 11 filings.

Relief Requested

10. By this Motion, the Debtors seek the entry of an order, pursuant to section 365(a) of the Bankruptcy Code, authorizing the rejection of seven unexpired real property leases (the "Leases") for stores at which the Debtors are currently discontinuing operations (the "Leased Locations"). The Debtors have determined that the Leases have little or no market

value and, accordingly, the Debtors seek to cut off the accrual of postpetition rent by rejecting the Leases pursuant to section 365(a) of the Bankruptcy Code. Annexed as **Exhibit A** hereto is a schedule identifying each of the Leases by relevant store address, landlord name, and landlord address.

11. The Debtors currently are utilizing a professional liquidator to conduct store closing sales at the Leased Locations, which sales generally are scheduled to conclude on March 4, 2001. At that time, the Debtors may be prepared to surrender possession of the Leased Locations to the relevant landlords (collectively, the “Landlords”). Accordingly, the Debtors request that their rejection of the Leases be effective as of the later of: (a) March 4, 2001; or (b) the date that possession of a particular Leased Location is surrendered to the relevant Landlord.

Applicable Standard

12. Section 365(a) of the Bankruptcy Code provides in pertinent part that a debtor in possession “subject to the court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). The standard applied to determine whether the rejection of an executory contract or unexpired lease should be authorized is the “business judgment” standard. See In re Constant Care Community Health Center, Inc., 99 B.R. 697, 702 (Bankr. D. Md. 1989); see also NLRB v. Bildisco & Bildisco, 465 U.S. 513, 523 (1984). The business judgment standard requires that the Court approve the debtor’s business decision unless that judgment is the product of bad faith, whim, or caprice. Lubrizol Enterprises v. Richmond Metal Finishers, Inc. (In re Richmond Metal Finishers, Inc.), 756 F.2d 1043, 1047 (4th Cir. 1985), cert. denied, 475 U.S. 1057 (1986).

13. The Debtors’ business no longer requires the Leased Locations. In addition, the Debtors have concluded the Leases have little or no market value. Accordingly, to avoid

accruing additional administrative expenses under the Leases, the Debtors believe it is in the best interests of the Debtors and their respective estates and creditors to reject the Leases, effective the later of March 4, 2001, or as soon as the Debtors turn over possession of the relevant Leased Locations to their respective Landlords.

Notice

14. The Debtors are providing notice of this Motion to: (a) counsel to the agent for the Debtors' post-petition secured lenders; (b) counsel to the agent under the Debtors' pre-petition secured credit facility; (c) counsel to any official committee appointed in these cases or, if such committee has not yet been appointed, to the Debtors' largest 30 creditors on a consolidated basis; (d) the United States Trustee; (e) the Landlords; and (f) parties that have requested notice in these cases pursuant to Fed. R. Bankr. P. 2002, and served such request upon the Debtors prior to the service of this Motion.

15. The Debtors believe no other or further notice is necessary or required.

16. Pursuant to Local Rule 6006-1(a), all parties should take notice that the Court may rule upon this Motion without a hearing if there is no timely request for a hearing.

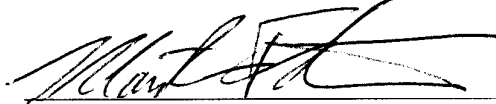
Conclusion

WHEREFORE, the Debtors respectfully request entry of the annexed order and such other and further relief as this Court may deem just and proper.

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Co-Counsel for the Debtors,

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CERTIFICATE OF SERVICE

I certify that on this 19th day of February, 2001, a copy of the foregoing pleading was sent by the means indicated and to the parties identified on the Omnibus Certificate of Service filed concurrently with this pleading. In order to expedite the copying and transmittal of pleadings to parties in interest, a copy of the Omnibus Certificate of Service was not transmitted with the pleading. Any party desiring a copy of the Omnibus Certificate of Service may contact the undersigned or may review the original at the Clerk's Office.

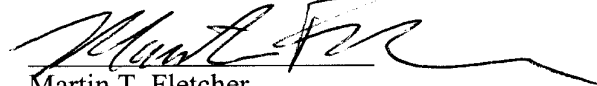

Martin T. Fletcher

Exhibit A

EXHIBIT "A"
LEASES TO BE REJECTED

STORE #	STORE LOCATION	LANDLORD	LANDLORD ADDRESS
114	New Port Richey, FL 34654	Regency Square Associates	c/o The Sembler Co. 5959 Central Ave., P.O. Box 41847 St. Petersburg, FL 33743 Attn: Norma Steinmatz
115	Valrico, FL 33594	Valrico Square	c/o Retail Asset Management, Inc. P.O. Box 5666 Clearwater, FL 33758 Attn: Paul Cooley
116	St. Petersburg, FL 33711	EBK Properties III, Inc.	5510 W. LaSalle St., Suite 210 Tampa, FL 33607-1713 Attn: Sue Schmidt
121	Tampa, FL 33611	Charles J. Bickimer, Trustee	c/o Bruce Strumph, Inc. 314 S. Missouri Ave., Suite 305 Clearwater, FL 33756 Attn: Charlie Bickimer
122	Clarksville, IN 47130	Brown Noltemeyer Co.	2424 Eagle Eyrie Ct. Louisville, KY 40206 Attn: Charles Brown Jr.
123	Louisville, KY 40220	Hunnington Place	c/o Skinner & Broadbent Co., Inc. 201 N. Illinois, 23 rd Fl. Indianapolis, IN 46204 Attn: Tammy Brooks
146	Palm Harbor, FL 3484	Seabreeze Associates, Ltd.	c/o OJT Land Management Co., Inc. 537 Market St., Suite 25 Chattanooga, TN 37402 Attn: Linda Love